



# AFRICAN EAGLE RESOURCES plc

Annual Report & Accounts 2004

# 2004



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# Welcome to African Eagle Resources plc

We are a successful AIM quoted mineral exploration company with a focus on gold and copper in Eastern and Southern Africa. We have a large portfolio of promising advanced and grass-roots projects, with two at resource drilling stage.

We are rich in expertise, have a wealth of knowledge of the region, a high tech approach to exploration and a deep understanding of the geology and economics of mineral deposits.

## Year in Brief

2004 was a year of significant progress for African Eagle, building on the Company's AIM listing, project portfolio and experienced exploration teams. Rising metals prices made the Mkushi copper project highly attractive and exploration revealed that the Eagle Eye iron oxide copper gold (IOCG) system was very big, with potentially economic grades and widths present. The discovery of the Faida gold-bearing zone transformed Miyabi from pure exploration to a resource drilling project and shallow drilling at Igurubi revealed rich, narrow gold veins of considerable promise. The Company looks forward to a busy, fully funded 2005 exploration programme.



01

- Market capitalisation up from £13m to £21m over the year
- Miyabi gold resource trebled
- Huge scale of Eagle Eye IOCG system revealed
- Mkushi copper project prioritised
- High grade gold intersections at Igurubi
- Promising results from grass-roots projects
- Many new areas added to portfolio

*building on experience –  
a strategy for growth*

# The Company is enjoying a **period of strong asset growth** based on resource drilling at **Miyabi in Tanzania and Mkushi in Zambia.**



02

Dear shareholder,

During the past few years we have seen a trend for the big mining companies to acquire new reserves more by merger and acquisition than by exploration. Acquisition budgets have grown at the expense of exploration budgets and in no case has the exploration budget of a new consolidated entity exceeded the sum of its parts. This strategy presupposes that specialist exploration companies will refill the pool of new assets.

At the same time we have seen a major resurgence in demand and prices for mineral products, coupled with declining discovery rates and decreasing size of new discoveries. The price of copper, for example, has doubled over the last two years and most analysts expect prices to remain high.

These factors have greatly increased the importance of junior exploration companies in the discovery of mineral assets and have led in the last two years to a major revival of junior exploration investment and activity, particularly in areas considered to offer long term operational security, better than average mineral potential and favourable investment regimes.

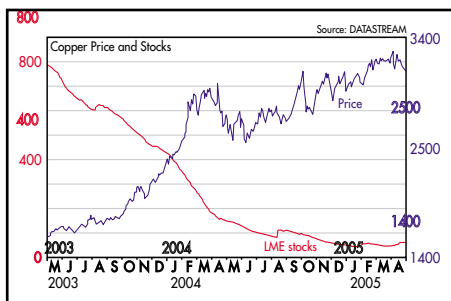
African Eagle's focus on gold and copper, our substantial portfolio of projects in Tanzania, Zambia and Mozambique, and our combination of expertise, experience and local knowledge position us extremely well to succeed under these conditions.

Mkushi in Zambia is a particularly attractive target in the current market and African Eagle has prioritised the project, with core drilling and surface surveys now underway to confirm and if possible increase a resource of 30 million tonnes of 1.25% copper reported there by earlier explorers.

At the Eagle Eye iron oxide copper gold (IOCG) project in eastern Zambia, the year's mapping and first phase drilling revealed that copper mineralisation extends over a strike length of at least 25km, confirmed that the mineralisation reaches potentially economic grades and widths, and identified a new priority target at Ndomba. As I write, geophysical and other surveys are underway which will help the Company's geologists to finalise this year's drill targets.

The gold price remains high, and in Tanzania's Lake Victoria Goldfields, our discovery of the Faida zone transformed the Miyabi project from pure exploration to a resource drilling project, leading to a new independent gold resource estimate of 400,000 ounces. Drilling to increase this resource restarted at Miyabi in early 2005 and the Company looks forward to the results of the programme over the coming months.

Our discovery cost to date of the 400,000 ounce Miyabi resource has been just US\$6.25 per ounce, and we expect this to fall as drilling continues and more resources are added. This is a great tribute to the cost-effectiveness and expertise of our Tanzanian exploration team, as, the average discovery cost of gold resources worldwide over the past 10 years has been of the order of US\$25 to \$30 per ounce.





Also in Tanzania, early shallow drilling at the Igurubi gold project revealed narrow but high-grade gold veins of considerable promise and further drilling will follow a programme of surface surveys, including ground magnetics, induced polarisation and geochemistry.

We are very much an “ideas” company and our teams have come up with some extremely promising new ventures for the future. One particularly exciting development has been our application for ca. 800 square kilometres of ground in western Mozambique containing rocks and mineralisation similar to those at Eagle Eye. Thanks to our growing understanding of the geological setting of Iron Oxide Copper Gold (IOCG) mineralisation in southwest Zambia, we now hold a substantial IOCG portfolio on both sides of the border, covering large areas of little-explored ground containing many reported copper and gold occurrences.

Clearly, in seeking to add value to what we believe to be our most important projects, we cannot prioritize everything in the African Eagle portfolio and the Company is actively seeking partners for both new and existing ventures. The signing of participation agreements with MSA over the Lunga licence in Zambia and with Resolute over the Kakumbi licence in Tanzania, which we have recently announced, are products of this strategy. Discussions are also underway with potential partners for other projects in the Company’s portfolio.

The availability of cash is always a high priority for an exploration company and as I write, African Eagle is well funded, with £2.7 million in the bank, more than sufficient to cover its planned exploration programmes through 2005. The exercise of warrants during 2004 and early 2005 brought almost £2 million into the treasury, while a placing in December 2004 added another £1 million.

I am very pleased to report that in 2004, 80 pence of every £1 spent went into exploration, despite the one-off costs of establishing our London office, after the costs of our AIM admission in 2003 drove overheads during that year somewhat higher than our target.

In conclusion I’d say that an additional effect of high metals prices has been the increase in the number of exploration companies entering the market. There are now more than 100 quoted on AIM alone and we are noticing more competition for licences in Africa.

African Eagle, with funding available, a portfolio of both advanced and grassroots projects, its sound knowledge of the region and its skilled, cost-effective exploration teams, is far better placed than most to maximise benefits from current market conditions.

**John Park**  
Chairman



- 1
- 2
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- 4

- Top, left to right**
- 1 Geological mapping at Eagle Eye
  - 2 A drilling rig arrives on site, Miyabi
  - 3 GPS surveying at Miyabi
- Bottom right**
- 4 Drilling at Eagle Eye

# Eagle Eye copper system traced over 25km Resource drilling begins at Mkushi copper



04

African Eagle's strategy is to identify promising areas and acquire legal title to them, to evaluate their potential quickly and cost-effectively and to build up the asset value of resulting discoveries. Value for shareholders may be realised by any one of several routes, including outright sale, spin-off or joint venture.

From its evaluation of the results of 2004 exploration programmes, African Eagle identified four headline projects and prioritised them for follow-up in its 2005 programme: Miyabi and Igurubi in Tanzania, and Mkushi and Eagle Eye in Zambia. At all four, drilling is either underway or planned to follow surface surveys currently being undertaken. The Company also holds six second priority projects and a score of grassroots prospects. Surface surveys are scheduled to be carried out at most of these and test drilling will follow at the most promising during 2005.

With sufficient funds in the bank to cover its planned exploration programmes through 2005, a portfolio of advanced and early stage projects, skilled and cost-effective exploration teams and a sound knowledge of the region, African Eagle is well placed to take advantage of current metal market conditions. To accelerate some of its new and existing projects, the Company is actively seeking joint venture partners.

Descriptions of the Company's operations, including maps, drill results and photographs are available on the Company's web site, [www.africaneagle.co.uk](http://www.africaneagle.co.uk). Shareholders and other interested parties can register on the web site to receive the Company's announcements by email.

## Zambia

Since his appointment as African Eagle's Exploration Manager for Zambia in April 2004, Clive Arthur has built a strong and effective team and made great progress on exploring all of the Company's Zambian projects, especially Eagle Eye and Mkushi. The team has been very active in identifying new opportunities in Zambia and have applied for several new licences in the country.

African Eagle's Mkushi licence contains a chain of copper deposits along a 15km length of the Mtuga Shear Zone. Some of the deposits were mined in the past, notably Mtuga, mined underground in the 1920's and Mushiwemba, mined by open pit in the 1960's.

A resource estimate made in the 1990's reported that 30.4 million tonnes grading 1.23% copper remained, containing more than 350,000 tonnes of copper. At present copper prices, there is a good probability that this resource could be developed profitably and brought into production quickly and cheaply. The deposits have simple sulphide mineralogy which should allow the construction of a low cost plant, feeding a concentrate to smelters in the nearby Copperbelt. There is also potential for early cashflow from the reprocessing of the tailings dumps and the possibility of recovering copper from oxides using conventional SX-EW technology. The area has excellent infrastructure, with a powerline, good roads and a railway nearby.

African Eagle has begun a programme of drilling and other work to confirm and expand



1 Drilling operations



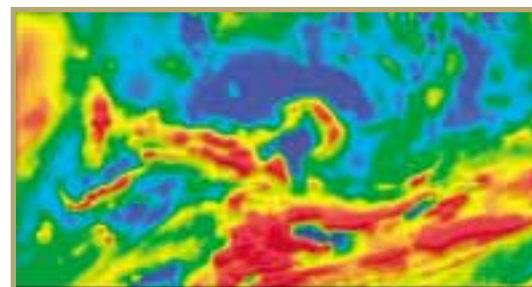
the historical resources at Mkushi, which will lead to a full feasibility study if the results confirm the potential.

At the Eagle Eye iron oxide copper gold (IOCG) project, the Company generated a wealth of data during 2004, which revealed that copper mineralisation extends over a strike length of at least 25km. The results also confirmed that potentially economic grades and widths are present and identified a new priority target at Ndomba. Worldwide, IOCG deposits are extremely attractive exploration targets, with potential for high grades and large tonnages. Exploration for IOCG deposits in Africa is relatively new, but Eagle Eye shows many similarities to well-known deposits of the type in Brazil. African Eagle's next moves in exploring the system are geophysical and geochemical surveys to help finalise targets for the 2005 drilling programme.

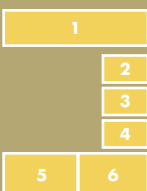
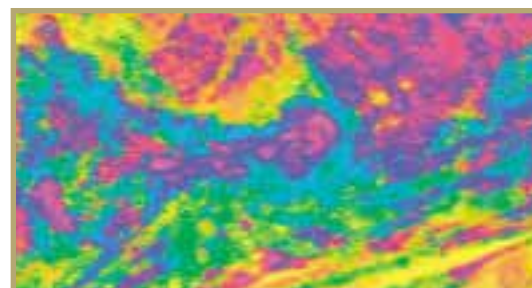
In May 2005 the Company signed a Heads of Agreement with MSA Limited of South Africa, for that company to explore the Lunga licence area. The 1956 sq km Lunga licence has potential for various styles of mineralisation including copperbelt, IOCG and carbonate-hosted zinc and other polymetallic deposits.

### Eagle Eye drilling results

Drill hole	Prospect	From (m)	Interval (m)	Copper %
MZR8 including and	Mweze	17	67	0.7
		24	60	0.8
		65	7	2.4
MZR24 including and and and	Mweze	57	74	0.3
		57	10	1.1
		87	4	0.8
		95	5	0.9
		120	11	0.5
MZR25 including	Mweze	54	23	1
		54	21	1.1
MZR11	Mweze	138	12	3
MZR6	Mweze	15	33	0.5
MZR9 Including and	Mweze	36	12	1.1
		39	9	1.4
		42	3	2.6
MZR13	Mweze	0	6	0.7
EER6	Eagle Eye	42	12	0.8
EER12 including	Eagle Eye	54	12	1
		54	9	1.4
EER10	Eagle Eye	42	1	1.6
EER3	Eagle Eye	21	3	3



At the Tandalwe Hill copper prospect in the Company's Kampumba licence, trench results included 40m at 0.87% copper, 11m at 1.1% and 36m at 0.78%. These intersections also carry between 5 and 10g/t silver. An IP survey is underway at Tandalwe Hill and drill targets will be selected once it is complete.



- 1 Mkushi copper project – Munshiwemba open pit
- 2 Eagle Eye IOCG – aeromagnetic image
- 3 Eagle Eye IOCG – satellite image

- 4 Eagle Eye IOCG – radioelement ratio image
- 5 Mkushi copper project – Munshiwemba plant
- 6 Drilling at Eagle Eye IOCG

# Gold resource tripled at Miyabi, Igurubi gold veins drilled



### Tanzania

In Tanzania, African Eagle pursues a strategy of taking geologically promising areas under option from local licence holders, evaluating them quickly and cost-effectively, exercising the option over areas which meet the Company's criteria for likely success and relinquishing those areas which do not. This process led to the Company's discovery of gold at its headline Miyabi and Igurubi projects. Currently, fourteen priority B, grassroots and option projects are at various stages of exploration.

African Eagle's Miyabi gold project in Tanzania is a shear zone hosted gold system extending over 7km of strike. The Company has reported a new resource estimate of 400,000 ounces of gold at Miyabi, carried out to "JORC" standards by respected independent consultants SRK. Drilling to increase this resource began in early March 2005, initially on the Faida structure. Other promising structures will be drilled after a new geophysical IP survey is completed.

Igurubi is a shear-zone gold system in the southeast Lake Victoria Goldfield. A swarm of narrow but high-grade gold veins occur over a strike length of 5km. Drilling by African Eagle in December 2004 yielded intersections

#### Miyabi gold resource estimate

Zone	Category	Tonnes	Grade	Ounces
Faida	Indicated	3,175,000	1.6	165,000
	Inferred	375,000	1.8	20,000
Kilimani	Indicated	1,920,000	1.3	80,000
	Inferred	400,000	1.6	20,000
Shambani South	Indicated	490,000	2	30,000
	Inferred	120,000	2	10,000
Shambani North	Indicated	640,000	1.4	30,000
	Inferred	355,000	1.2	15,000
Ngaya	Inferred	850,000	1.2	35,000
Total	Indicated	6,230,000	1.5	300,000
	Inferred	2,110,000	1.4	100,000
	Total	8,335,000	1.5	400,000

including 2m at 24.8g/t gold, 2m at 9.1g/t and 1m at 17.7g/t. Shallow drilling dating from the mid-1990's included intersections of 3m at 24g/t, 6m at 4.2g/t and 3m at 3g/t. African Eagle recently completed a ground magnetic survey at Igurubi and now plans to carry out IP and soil geochemical surveys to assist in selecting targets for drilling in mid-2005.

Elsewhere in Tanzania, the Company is carrying out an IP survey at Msasa and geochemical soil sampling at the Gloria and Dutwa grassroots gold projects. During 2005, African Eagle plans to carry out drilling at Msasa and surface surveys at Zanzui and its other grassroots prospects.

In May 2005, the Company signed an option agreement with Resolute Mining Limited, operators of the Golden Pride Mine, for that company to explore the Kakumbi licence area, which lies adjacent to its 750,000 ounce Nyakafuru gold deposit.

#### Tanzanian projects 2004

Project	Licences	Status
Miyabi	10	Priority A
Igurubi	1	Priority A
Kakumbi	2	Priority B
Msasa	3	Priority B
Zanzui	3	Priority B
Gloria	1	Grass-roots
Ikongwe	1	Grass-roots
Itweria	2	Grass-roots
Kagulamu	1	Grass-roots
Kayenzi	1	Grass-roots
Ugambilo	1	Grass-roots
Dutwa	4	Options
Kinyanye	2	Options
Kisamamba	2	Options
Ibologero	1	Option
Kiwasi Hills	1	Option
Isela	1	Not exercised
Jomu	1	Not exercised
Kinesi	1	Not exercised
Kurusanga	1	Not exercised
Tim	1	Not exercised



## Mozambique

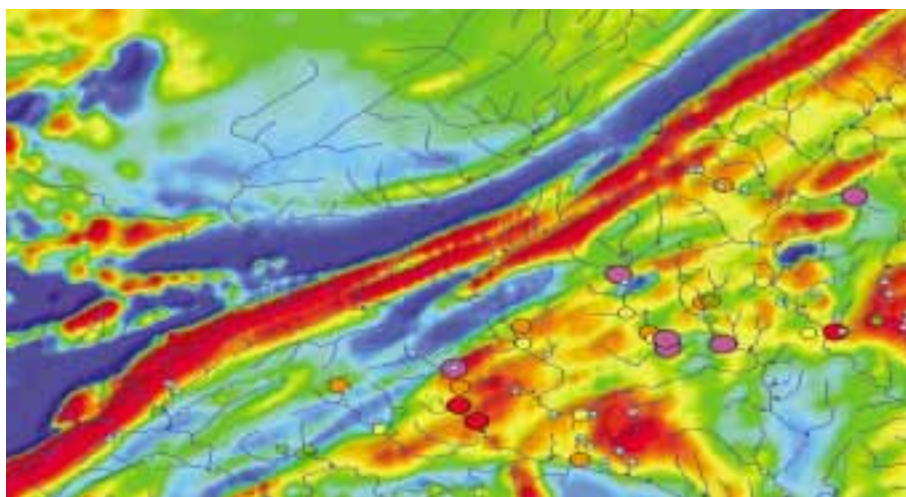
The Company has applied for five prospecting licences in western Mozambique, covering an area of almost 800 square kilometres containing rocks and mineralisation similar to those at Eagle Eye across the border in southeast Zambia. During 2005, African Eagle plans to investigate the known mineralisation, conduct reconnaissance geochemical surveys and interpret recent high-resolution airborne geophysical data.

Sampling and mapping at the Muazua nickel project in late 2004 showed that the saprolite of the area carries more than 1% nickel in places. At the nearby Majele gold project, re-appraisal of gold in panned concentrate samples has indicated targets for further investigation.

## Corporate

In November 2004, Bevan Metcalf joined the Board as Finance Director and took on the role of Company Secretary from Mark Parker in March 2005. Mr Metcalf is a Chartered Accountant with 25 years industry experience, principally in the pharmaceuticals and animal health industries. His appointment brought formal accounting and financial skills onto the Board to complement the technical, business, city and legal competence and experience provided by the existing Board members.

African Eagle's Board accepts the need for good corporate governance, as appropriate to the Company's size and the nature of its business, and it reviews its policies and practices in this area regularly. In the interest of transparency, a corporate governance page will be added to its web site during 2005, outlining the structure, procedures and responsibilities of the Board and its key Executive, Audit and Remuneration Committees.



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- 1 Drill chip samples, Miyabi
- 2 Core drilling, Miyabi
- 3 Geological mapping at Muazua

- 4 Nickel mineralisation at Muazua
- 5 Aeromagnetic image and stream geochemistry, Majele

# Risks under constant review Responsible operating policy



### Risk Review

The risks inherent in the Company's business model are kept under review by the Executive Committee and by the Board. The principal risks for an exploration company and the measures taken by African Eagle to mitigate them may be summarised as follows:

**Geological risk** is the risk of expending money without making any discovery which will provide a return. African Eagle addresses this risk by using its skills and experience to select only the most promising areas, keeping expenditure down during the riskier early stages of exploration, prioritising only projects which are most likely to provide a return, and relinquishing promptly any project which does not fulfil its early promise.

**Political risk** is the risk that assets will be lost through expropriation, unrest or war. African Eagle minimises political risk by operating only in countries with stable governments, sound fiscal and mining codes and respect for the rule of law.

**Commodity risk** is the risk that the price earned for a mineral will fall below the costs of its extraction, processing and transport to market. African Eagle believes that a good project will be viable in any climate but keeps the economics of all its projects constantly under review.

**Finance risk** is the risk of running out of working and investment capital before any project makes a return. African Eagle maintains tight financial and budgeting control, keeps its operations cost-effective with low overheads and avoids allowing its treasury to fall below one year's recurrent costs. To finance expansion, the Company identifies potential investors including possible joint venture partners.

### Corporate Responsibility

African Eagle recognises its responsibilities to the communities and stakeholders with which it works and to the environment of its operations.

The Company has a policy of engagement with local communities in Africa. African Eagle sources all its supplies, services and employees as locally as possible. It also engages with local communities, for example through the provision of safe drinking water and contributions of materials and labour to the construction of school buildings. It contributes financially to an organisation which provides homes and schooling to street children in Mwanza, Tanzania.

African Eagle encourages local technical staff to shoulder responsibility and includes them in the Company's share and option incentive plans. The Company is proud of the fact that two employees have used these assets to finance business ventures, with the full encouragement and assistance of the Company. African Eagle regards education and training as vital and in addition to its own staff training programmes, it has offered many African and European university students the opportunity to further their careers by joining its exploration teams, either for work experience or to undertake undergraduate projects.

Exploration has a relatively low impact on the environment, but nonetheless African Eagle is aware that it operates in and near some fragile environments. It is African Eagle's policy to follow the best industry standards. Where possible, the Company is pro-active, as in its establishment of a 300 hectare nature reserve in a forest remnant within the Miyabi project area and its forthcoming environmental study of the Mkushi area.



# Report of the Directors

The Directors present their report together with the audited financial statements for the year ended 31 December 2004.

## Principal activities

The Group's principal activity is mineral exploration.

## Business review

A review of the Group's trading during the year is contained in the Chairman's Statement and Review of Operations on Pages 2 to 8.

There was a Group loss after taxation for the year of £490,271 (2003: £365,084).

The Directors do not recommend the payment of a dividend.

## Directors

The Directors in office at the end of the year are listed below. Bevan Metcalf was appointed Finance Director on 9 November 2004.

The interests of the Directors and their families in the shares of the Company at 1 January 2004 and 31 December 2004 were as follows.

	As at 31 December 2004			As at 1 January 2004 or subsequent date of appointment		
	Ordinary Shares	Warrants	Options	Ordinary Shares	Warrants	Options
John Park	3,508,467	4,171,134	835,000	3,508,467	4,171,134	635,000
Mark Parker	2,256,087	2,424,420	935,000	2,256,087	2,424,420	703,000
Chris Davies	266,667	–	960,000	266,667	–	710,000
Euan Worthington	225,000	–	735,000	225,000	–	585,000
Geoffrey Cooper	669,300	423,300	150,000	669,300	423,300	–
Bevan Metcalf	–	–	100,000	–	–	–

## Directors' responsibilities for the financial statements

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for the preparation of the Report of the Directors and other information in the Annual Report and Accounts.

## Payment policy and practice

It is the Group's normal practice to settle the terms of payment when agreeing the terms of the transaction, to ensure that suppliers are aware of those terms, and to abide by them.

The Company had no trade creditors at the year end.

## Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

On behalf of the Board

## M Parker

Director 1 June 2005

# Report of the Independent Auditors

To the members of African Eagle Resources plc

We have audited the financial statements of African Eagle Resources plc for the year ended 31 December 2004 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the balance sheets, the consolidated cash flow statement and notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the Directors and auditors**

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Group is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' report, the chairman's statement and the review of operations. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **Basis of opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2004 and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

## **Grant Thornton UK LLP**

Registered Auditors  
Chartered Accountants

Southampton  
1 June 2005

# Accounts

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## Consolidated Profit and Loss Account

For the year ended 31 December 2004

	Note	2004 £	2003 £
Administrative expenses		(569,175)	(378,321)
Interest receivable and similar income		78,904	13,237
<b>Loss on ordinary activities before taxation</b>	2	<b>(490,271)</b>	(365,084)
Tax on loss on ordinary activities	5	-	-
<b>Loss for the financial year</b>	6	<b>(490,271)</b>	(365,084)
<b>Loss per share (pence)</b>	7	<b>(0.6p)</b>	(0.9p)

All operations are continuing.

## Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 December 2004

	2004 £	2003 £
Loss for the financial year	(490,271)	(365,084)
Currency differences on foreign currency net investments	(103,143)	(73,361)
<b>Total recognised gains and losses</b>	<b>(593,414)</b>	(438,445)

The accompanying notes form an integral part of these financial statements.

# Consolidated Balance Sheet

At 31 December 2004

	Note	2004 £	2004 £	2003 £	2003 £
<b>Fixed assets</b>					
Intangible assets	8				
– Goodwill			172,783		239,378
– Other			3,051,527		1,759,644
			<u>3,224,310</u>		<u>1,999,022</u>
Tangible assets	9		85,522		55,678
Investments	10		13,591		13,591
			<u>3,323,423</u>		<u>2,068,291</u>
<b>Current assets</b>					
Debtors	11	149,293		24,311	
Cash at bank and in hand		2,296,217		2,426,474	
		<u>2,445,510</u>		<u>2,450,785</u>	
<b>Creditors: amounts falling due within one year</b>	12	<b>(171,201)</b>		<b>(68,508)</b>	
			<u>2,274,309</u>		<u>2,382,277</u>
<b>Total assets less current liabilities</b>			<u>5,597,732</u>		<u>4,450,568</u>
<b>Capital and reserves</b>					
Called up share capital	13		928,747		756,895
Share premium account	14		5,962,574		4,393,848
Other reserves	15		705,723		705,723
Profit and loss account	16		(1,999,312)		(1,405,898)
			<u>5,597,732</u>		<u>4,450,568</u>
<b>Shareholders' funds</b>	17		<u>5,597,732</u>		<u>4,450,568</u>

The financial statements were approved by the Board of Directors on 1 June 2005

**B Metcalf**

Director

The accompanying notes form an integral part of these financial statements.

# Company Balance Sheet

At 31 December 2004

	Note	2004 £	2004 £	2003 £	2003 £
<b>Fixed assets</b>					
Tangible assets	9		15,406		586
Investments	10		77,406		99,705
			<u>92,812</u>		<u>100,291</u>
<b>Current assets</b>					
Debtors	11	3,959,392		2,362,338	
Cash at bank and in hand		2,244,818		2,370,331	
		<u>6,204,210</u>		<u>4,732,669</u>	
<b>Creditors: amounts falling due within one year</b>	12	(68,058)		(36,192)	
			<u>6,136,152</u>		<u>4,696,477</u>
<b>Total assets less current liabilities</b>			<u>6,228,964</u>		<u>4,796,768</u>
<b>Capital and reserves</b>					
Called up share capital	13		928,747		756,895
Share premium account	14		5,962,574		4,393,848
Profit and loss account	16		(662,357)		(353,975)
			<u>6,228,964</u>		<u>4,796,768</u>
<b>Shareholders' funds</b>			<u>6,228,964</u>		<u>4,796,768</u>

The financial statements were approved by the Board of Directors on 1 June 2005

**B Metcalf**  
Director

The accompanying notes form an integral part of these financial statements.

# Consolidated Cash Flow Statement

For the year ended 31 December 2004

	Note	2004 £	2004 £	2003 £	2003 £
<b>Net cash outflow from operating activities</b>	18		<b>(448,159)</b>		<b>(329,236)</b>
<b>Returns on investments and servicing of finance</b>					
Interest received			<b>78,904</b>		13,237
<b>Capital expenditure and financial investment</b>					
Purchase of intangible fixed assets		<b>(1,443,654)</b>		(808,873)	
Purchase of tangible fixed assets		<b>(54,987)</b>		(53,585)	
<b>Net cash outflow from capital expenditure and financial investment</b>			<b>(1,498,641)</b>		<b>(862,458)</b>
<b>Management of liquid resources</b>					
Funds withdrawn from/placed on deposit			<b>1,319,899</b>		(2,007,826)
<b>Financing</b>					
Issue of shares		<b>1,769,347</b>		3,821,444	
Share issue costs		<b>(28,769)</b>		(436,378)	
<b>Net cash inflow from financing</b>			<b>1,740,578</b>		<b>3,385,066</b>
<b>Increase in cash</b>	19		<b>1,192,581</b>		<b>198,783</b>

The accompanying notes form an integral part of these financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2004

## 1 Accounting policies

### *Basis of preparation*

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards and the Statement of Recommended Practice "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities" revised in June 2001 (the SORP).

The principal accounting policies have remained unchanged from the previous year. The policies, which have been reviewed by the Directors in the light of FRS 18 and are considered to remain the most appropriate to the Group's circumstances, are set out below.

### *Basis of consolidation*

The Group financial statements consolidate those of the Company and its subsidiary undertakings drawn up to 31 December 2004.

The acquisition of African Eagle Resources Limited and its subsidiary Katanga Resources Limited in 2002 was accounted for using the acquisition method of accounting. The Company took advantage of the merger relief provisions of section 131 of the Companies Act 1985 to record the shares issued in connection with the acquisition at their nominal value. In the consolidated accounts the shares issued were accounted for at fair value with an appropriate transfer to merger reserve. African Eagle Resources Limited has since been dissolved and its investment in Katanga Resources Limited transferred to Twigg Resources Limited and The Company.

The combination of the Company with Twigg Resources Limited and its subsidiaries in 2000 was accounted for using merger accounting as applicable to group reconstructions.

Profits or losses on intra group transactions are eliminated on consolidation.

### *Turnover*

Turnover is the total amount receivable by the Group for goods supplied and services provided, excluding VAT and trade discounts.

### *Fixed Assets and Depreciation*

Fixed assets are stated at cost less depreciation. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets over their expected useful lives. The rates generally applicable are:

Motor vehicles	25%
Fixtures and fittings	25%

### *Exploration and development costs*

In accordance with the full cost method as set out in the SORP, expenditure including directly attributable overheads on the acquisition, exploration and evaluation of interests in licences not yet transferred to a cost pool is capitalised under intangible assets. Cost pools are established on the basis of geographic area. When it is determined that such costs will be recouped through successful development and exploitation or alternatively by sale of the interest, expenditure will be transferred to tangible assets and depreciated over the expected productive life of the asset. Whenever a project is considered no longer viable the associated exploration expenditure is written off to the profit and loss account.

### *Investments*

Investments are included at cost less amounts written off.

### *Intangible fixed assets*

Purchased goodwill is amortised on a straight line basis over its estimated useful economic life of 10 years.

# Notes to the Financial Statements

For the year ended 31 December 2004

## 1 Accounting policies – continued

Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic life of 5 years.

### *Deferred taxation*

Deferred tax is recognised on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

### *Financial instruments*

The Group uses financial instruments to manage exposures to fluctuations in interest rates.

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate.

Interest receivable and payable is accrued and credited/charged to the profit and loss account in the period to which it relates.

### *Foreign currencies*

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. The financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to reserves. All other exchange differences are dealt with through the profit and loss account.

### *Operating lease agreements*

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

### *Liquid resources*

Liquid resources comprise cash on short term deposit at not less than 24 hours' notice.

## 2 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after:

	2004	2003
	£	£
Depreciation and amortisation:		
Goodwill	66,595	66,595
Tangible fixed assets	22,668	6,797
Project costs written off	53,865	4,744
Foreign exchange differences	44,361	45,964
Operating lease costs:		
– Land and buildings	21,098	–
Auditors' remuneration:		
– Audit services	11,250	10,000
– Non-audit services: tax compliance	1,000	950
– Non-audit services: tax advisory	–	2,198

# Notes to the Financial Statements

For the year ended 31 December 2004

## 3 Segmental analysis

The loss for the financial year and net assets of the Group are attributable to the single activity of mineral exploration and the following geographical segments:

	Loss for the financial year		Net assets	
	2004	2003	2004	2003
	£	£	£	£
United Kingdom	<b>(359,803)</b>	(174,903)	<b>2,428,321</b>	2,620,537
Tanzania	<b>(55,894)</b>	(9,021)	<b>1,793,148</b>	1,205,309
Mozambique	–	–	<b>322,637</b>	338,927
Zambia	<b>(74,574)</b>	(181,160)	<b>1,053,626</b>	285,795
	<b>(490,271)</b>	(365,084)	<b>5,597,732</b>	4,450,568

## 4 Directors and employees

Staff costs during the year were as follows:

	2004	2003
	£	£
Wages and salaries	<b>321,612</b>	160,030
Social security costs	<b>29,356</b>	14,293
	<b>350,968</b>	174,323

The average number of employees during year was ten (2003: seven).

Remuneration in respect of Directors was as follows:

	2004	2003
	£	£
Emoluments	<b>196,150</b>	119,435
Gains on exercise of share options	–	2,931
	<b>196,150</b>	122,366

None of the Directors participate in Company pension schemes.

## 5 Tax on loss on ordinary activities

	2004	2003
	£	£
Loss for the year multiplied by standard rate of UK corporation tax 30%	<b>(147,081)</b>	(109,525)
Expenses not deductible for tax purposes	<b>19,649</b>	33,860
Capital allowances for the period in excess of depreciation	<b>(3,269)</b>	(2,290)
Increase in UK tax losses	<b>110,876</b>	39,980
African losses at 30%	<b>19,825</b>	37,975
Tax charge	–	–
Unrecognised deferred tax asset:		
UK tax losses	<b>291,524</b>	212,448
Depreciation in excess of capital allowances	<b>6,740</b>	2,279
	<b>298,264</b>	214,727

The deferred tax asset would be recoverable if taxable profits were generated.

# Notes to the Financial Statements

For the year ended 31 December 2004

## 6 Loss for the financial year

The Company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The Company loss for the year was £308,382 (2003: £115,330).

## 7 Loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary shareholders £490,271 (2003: £365,084) divided by the weighted average number of shares in issue during the year 78,243,027 (2003: 41,069,155). There is no dilutive effect of share options on the basic loss per share.

## 8 Intangible fixed assets

The Group	Goodwill on consolidation £	Purchased goodwill £	Deferred exploration costs £	Total £
<b>Cost</b>				
At 1 January 2004	317,973	30,000	1,759,644	2,107,617
Foreign currency exchange differences	–	–	(97,906)	(97,906)
Additions	–	–	1,443,654	1,443,654
Project costs written off	–	–	(53,865)	(53,865)
At 31 December 2004	317,973	30,000	3,051,527	3,399,500
<b>Amortisation</b>				
At 1 January 2004	87,595	21,000	–	108,595
Charge for the year	63,595	3,000	–	66,595
At 31 December 2004	151,190	24,000	–	175,190
<b>Net book amount at 31 December 2004</b>	<b>166,783</b>	<b>6,000</b>	<b>3,051,527</b>	<b>3,224,310</b>
Net book amount at 31 December 2003	230,378	9,000	1,759,644	1,999,022

## 9 Tangible Fixed Assets

The Group	Leasehold Improvements £	Motor Vehicles £	Fixtures and fittings £	Total £
<b>Cost</b>				
At 1 January 2004	–	84,738	29,816	114,554
Foreign currency exchange differences	–	(2,451)	(24)	(2,475)
Additions	685	15,576	38,726	54,987
At 31 December 2004	685	97,863	68,518	167,066
<b>Depreciation</b>				
At 1 January 2004	–	47,202	11,674	58,876
Charge for the year	151	11,985	10,532	22,668
At 31 December 2004	151	59,187	22,206	81,544
<b>Net book amount at 31 December 2004</b>	<b>534</b>	<b>38,676</b>	<b>46,312</b>	<b>85,522</b>
Net book amount at 31 December 2003	–	37,536	18,142	55,678

# Notes to the Financial Statements

For the year ended 31 December 2004

9 Tangible Fixed Assets – <i>continued</i>	Leasehold Improvements £	Fixtures and fittings £	Total £
<b>The Company</b>			
<b>Cost</b>			
At 1 January 2004	–	1,174	1,174
Additions	685	17,237	17,922
At 31 December 2004	685	18,411	19,096
<b>Depreciation</b>			
At 1 January 2004	–	588	588
Charge for the year	151	2,951	3,102
At 31 December 2004	151	3,539	3,690
<b>Net book amount at 31 December 2004</b>	<b>534</b>	<b>14,872</b>	<b>15,406</b>
Net book amount at 31 December 2003	–	586	586

10 Investments	Shares in group undertakings £	Other investments (listed) £	Total £
<b>The Group</b>			
<b>Cost</b>			
At 1 January 2004 and at 31 December 2004	–	13,591	13,591
<b>The Company</b>			
<b>Cost</b>			
At 1 January 2004	99,705	–	99,705
Additions	2,451	–	2,451
Disposals	(24,750)	–	(24,750)
At 31 December 2004	77,406	–	77,406

The market value of the listed investments was £1,335 (2003: £4,269).

Under a group reorganisation during the year the Company transferred 99% of the share capital of Katanga Resources Limited to Twigg Resources Limited, and Twigg Resources transferred 10% of the share capital of Twigg Gold Limited to the Company.

At 31 December 2004 the Group held more than 20% of the equity share capital of the following undertakings:

	Country of registration or incorporation	Class of share capital held	Proportion held By the		Nature of business
			By the Company	By the Group	
Twigg Resources Limited	England & Wales	Ordinary	100%		Mining exploration
Katanga Resources Limited	Zambia	Ordinary	1%	99%	Mining exploration
Twigg Gold Limited	Tanzania	Ordinary	10%	90%	Mining exploration
Twigg Minerals Limited	Tanzania	Ordinary		90%*	Dormant

\* The remaining 10% of the issued share capital is held by Mr M E Parker as the Group's nominee.

11 Debtors	The Group 2004 £	The Group 2003 £	The Company 2004 £	The Company 2003 £
Amounts owed by group undertakings	–	–	3,878,044	2,356,956
Other debtors	79,934	22,731	19,189	3,802
Prepayments	69,359	1,580	62,159	1,580
	<b>149,293</b>	<b>24,311</b>	<b>3,959,392</b>	<b>2,362,338</b>

# Notes to the Financial Statements

For the year ended 31 December 2004

## 12 Creditors: amounts falling due within one year

	The Group 2004 £	The Group 2003 £	The Company 2004 £	The Company 2003 £
Social security and other taxes	13,527	7,726	13,527	7,726
Other creditors	57,404	41,154	19,104	19,966
Accruals and deferred income	100,270	19,628	35,427	8,500
	<b>171,201</b>	68,508	<b>68,058</b>	36,192

## 13 Share capital

	2004 £	2003 £
Authorised 200,000,000 (2003:200,000,000) ordinary shares of 1p each	2,000,000	2,000,000
Allotted, called up and fully paid 92,874,654 (2003: 75,689,568) ordinary shares of 1p each	928,747	756,895

During the year the Company allotted shares with an aggregate nominal value of £171,852 as follows:

Nature of consideration	Price per share	Number	Share capital £	Share premium £
Cash (on exercise of warrants)	6p	12,473,269	124,734	623,663
Cash (on exercise of options)	8p	60,000	600	4,200
Cash (on exercise of options)	11p	55,000	550	5,500
Cash (on exercise of options)	16p	20,000	200	3,000
Cash (share placing)	22p	4,576,817	45,768	961,132
		17,185,086	171,852	1,597,495

The Company has granted options and warrants to subscribe for shares as follows:

	Exercise price	At 1 January 2004	Granted in the year	Exercised or lapsed in the year	At 31 December 2004
Warrants expiring 31 March 2005	6p	17,524,168		12,409,166	5,115,002
Warrants expiring 31 March 2005	16.9p	3,703,703			3,703,703
Warrants expiring 31 March 2005	40p	7,470,540			7,470,540
Warrants expiring 30 September 2005	11p	10,000,000			10,000,000
Warrants expiring 31 March 2006	11p	1,600,000			1,600,000
Warrants expiring 26 June 2006	6p	1,250,000		64,103	1,185,897
Options (26 July 2001 to 26 July 2006)	16p	1,780,000		20,000	1,760,000
Options (15 Feb 2002 to 15 Feb 2007)	8p	288,000		30,000	258,000
Options (2 May 2003 to 2 May 2008)	8p	810,000		30,000	780,000
Options (1 Oct 2003 to 1 Oct 2008)	11p	1,500,000	27,500	55,000	1,472,500
Options (16 July 2004 to 16 July 2009)	17.5p		2,000,000		2,000,000
Options (9 Nov 2004 to 9 Nov 2009)	17.5p		100,000		100,000
		45,926,411	2,127,500	12,608,269	35,445,642

The highest and lowest price of the Company's shares during the year were 28.75p and 12.5p respectively and the share price at the year end was 22.5p.

# Notes to the Financial Statements

For the year ended 31 December 2004

## 14 Share premium account

	£
At 1 January 2004	4,393,848
On shares issued in the year	1,597,495
Expenses of share issues	(28,769)
At 31 December 2004	<b>5,962,574</b>

## 15 Other reserves

Merger reserve arising on business combinations in prior years

	Twiggs Resources Limited £	African Eagle Resources Limited £	Total £
Net assets of subsidiary acquired	480,428	325,000	805,428
Nominal value of shares issued to acquire subsidiary	74,705	25,000	99,705
At 31 December 2004	<b>405,723</b>	<b>300,000</b>	<b>705,723</b>

## 16 Profit and loss account

	The Group £	The Company £
At 1 January 2004	(1,405,898)	(353,975)
Loss for the financial year	(490,271)	(308,382)
Foreign exchange differences	(103,143)	–
At 31 December 2004	<b>(1,999,312)</b>	<b>(662,357)</b>

## 17 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
At 1 January 2004	4,450,568	1,503,947
Issue of shares	1,740,578	3,385,066
Loss for the financial year	(490,271)	(365,084)
Other recognised gains and losses	(103,143)	(73,361)
At 31 December 2004	<b>5,597,732</b>	4,450,568

## 18 Net cash outflow from operating activities

	2004 £	2003 £
Operating loss	(569,175)	(378,321)
Depreciation and amortisation	89,263	73,392
Project costs written off	53,865	4,744
Increase in debtors	(126,258)	(2,944)
Increase/(decrease) in creditors	104,146	(26,107)
Net cash outflow from continuing operating activities	<b>(448,159)</b>	<b>(329,236)</b>

# Notes to the Financial Statements

For the year ended 31 December 2004

## 19 Reconciliation of net cash flow to movement in net funds

	2004 £	2003 £
Increase in cash	<b>1,192,581</b>	198,783
Movement in liquid resources	<b>(1,319,899)</b>	2,007,826
Foreign exchange difference	<b>(2,939)</b>	(2,555)
Movement in net funds	<b>(130,257)</b>	2,204,054
Net funds at the beginning of the year	<b>2,426,474</b>	222,420
Net funds at the end of the year	<b>2,296,217</b>	2,426,474

### Analysis of changes in net funds:

	At 1 January 2004 £	Cash flow £	Exchange difference £	at 31 December 2004 £
Liquid resources	2,007,826	(1,319,899)	–	<b>687,927</b>
Cash	418,648	1,192,581	(2,939)	<b>1,608,290</b>
	<b>2,426,474</b>	<b>(127,318)</b>	<b>(2,939)</b>	<b>2,296,217</b>

## 20 Financial instruments

The Group uses financial instruments, other than derivatives, comprising short term deposits, cash, liquid resources and various items such as sundry debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are liquidity risk and currency risk. The Directors review and agree policies for managing these risks and these are summarised below.

Short term debtors and creditors have been excluded from all the following disclosures except currency risk.

### Liquidity risk

The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

### Currency risk

The Group does not hedge its exposure of foreign investments held in foreign currencies. The Group is exposed to translation and transaction foreign exchange risk and takes profits or losses on these as they arise.

Functional currency monetary assets (in £ sterling)	Foreign currency monetary assets	
	US \$ 2004	US \$ 2003
Pounds Sterling	<b>809</b>	6,114
Tanzanian Shillings	<b>1,880</b>	22,037
Zambian Kwacha	<b>32,565</b>	18,865
	<b>35,254</b>	47,016

# Notes to the Financial Statements

For the year ended 31 December 2004

## 20 Financial instruments – *continued*

### Borrowing facilities and interest rate risk

The Group finances its operations through the issue of equity share capital. There is no borrowing and therefore interest rate exposure is restricted to deposits. The majority of the cash assets as analysed in Note 19 were received in December, following the exercise of warrants and as a result of fund raising activities. These cash assets were subsequently transferred to term deposits. Term deposits returned an average interest rate of between 4.5% and 5% during the year. These deposits are kept under regular review, with reference to future expenditure requirements, and to maximise interest receivable.

Cash at bank and in hand	2004 £	2003 £
Fixed interest rate: 2004: 4.8% (2003: 3.9%)	<b>687,927</b>	2,007,826
Floating interest rate (by reference to bank base rate)	<b>1,560,971</b>	368,335
Zero interest rate	<b>47,319</b>	50,313
	<b>2,296,217</b>	2,426,474

### Fair values

The fair values of the Group's financial instruments are considered not materially different to the book value.

## 21 Commitments under operating leases

At 31 December 2004 The Company had aggregate annual commitments under non-cancellable operating leases in respect of land and buildings as set out below.

	2004 £	2003 £
Operating leases which expire:		
Within 2 to 5 years	<b>25,000</b>	–

## 22 Capital commitments

The Group had no capital commitments at 31 December 2004 or 31 December 2003.

## 23 Contingent liabilities

The Group had no contingent liabilities at 31 December 2004 or 31 December 2003.

## Notice of Annual General Meeting

*Notice is hereby given that the Annual General Meeting of the Company will be held at the Company's offices at 2nd Floor, 6-7 Queen Street, London EC4N 1SP on 28 June 2005 at 2:00pm for the following purposes:*

### **Ordinary business**

1. To receive the annual report and financial statements for the year ended 31 December 2004
2. To re-elect Mr E Worthington who is retiring by rotation under the Articles of Association as a director of the Company
3. To re-elect Mr B Metcalf who is retiring in accordance with the Articles of Association as a director of the Company
4. To reappoint Grant Thornton UK LLP as Auditors and to authorise the directors to fix their remuneration

### **Special business**

To consider and if thought fit to pass the following resolutions:

#### Ordinary Resolution

5. THAT the directors be generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ("the Act") to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act), up to an aggregate nominal amount of the authorised but unissued share capital of the Company. The authority will expire on the date of the Company's next Annual General meeting (or if sooner the expiry of 15 months after the passing of this Resolution) except as regards an allotment made pursuant to an offer or agreement made by the Company before such date, such authority to be in substitution for all existing authorities granted to the directors in respect of the allotment of relevant securities.

#### Special Resolution

6. THAT the directors be empowered pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot and to make offers or agreements to allot equity securities (as defined by Section 94(2) of the Act) for cash, pursuant to the authority conferred by Resolution 5 above, as if section 89(1) of the Act did not apply to any such allotment, provided that such power is limited to:
  - (i) allotment of equity securities up to the nominal amount of the authorised but unissued share capital of the Company from time to time; and
  - (ii) the allotment of equity securities in connection with any offer by way of rights in favour of the holders of ordinary shares in the Company where the equity securities respectively be attributed to the interests of the ordinary shareholders proportionate to the respective numbers of ordinary shares held by them subject to only such exclusions or other arrangements as the directors deem necessary or expedient to deal with fractional entitlement, legal or practical problems arising in any overseas territory or the requirements of any regulatory body or Stock Exchange.

Such power (unless previously revoked, varied or renewed) to expire at the conclusion of the Annual General Meeting to be held in 2006, (or if sooner the expiry of 15 months after the passing of the Resolution) save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to any such offer or agreement as if the power conferred thereby had not expired.

**The following special business will be conducted at the meeting:**

1. Authority to allot shares  
An Ordinary Resolution (No 5 in the Notice of the Annual General Meeting) and a Special Resolution (No 6 in the Notice) will be proposed to empower the directors to issue and allot shares up to the nominal but unissued share capital of the Company.

The proposed power will expire on the date of the next AGM or 15 months from the date of approval of the Resolutions, whichever is sooner.

By order of the Board

**Bevan Metcalf**

Company Secretary

Registered Office:

2nd Floor

6-7 Queen Street

London

EC4N 1SP

1 June 2005

**Notes:**

1. Any member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A proxy need not preclude a member of the Company from attending and voting at the above meeting if he so desires. To be valid, any appointments of proxies must be deposited at the registered office of the Company no later than 48 hours before the time at which the meeting is scheduled to commence.
2. The following information, which is available for inspection during normal business hours at the registered office of the Company on any weekday (Saturdays and public holidays excepted) from the date of this notice until the date of the General Meeting, will also be available for inspection at the place of the General Meeting for a period of 15 minutes prior to the meeting and until the conclusion of the meeting:
  - Register of interests of directors in the share capital of the Company;
  - Copies of service contracts of directors of the Company.
3. Pursuant to Regulation 34 of the Uncertificated Securities Regulations 2001 the Company specifies that only those shareholders registered at 2:00pm on 24 June 2005 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their names at that time. Changes to entries on the Register of Members after 2:00pm on 24 June 2005 will be disregarded in determining the rights of any person to attend or vote at the meeting.

# Form of Proxy

**For use at the Annual General Meeting of the Company to be held at the Company's offices, 2nd Floor, 6-7 Queen Street, London EC4N 1SP on 28 June 2005 at 2:00pm.**

I/We (*block capitals please*) .....

of (*address*) .....

being a member/members of African Eagle Resources plc hereby appoint the Chairman of the Meeting or

..... (see note 2)

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the Company's offices, 2nd Floor, 6-7 Queen Street, London EC4N 1SP on 28 June 2005 at 2:00pm and at any adjournment thereof and I/we direct my/our proxy to vote as indicated below.

		<b>For</b>	<b>Against</b>
1	To receive the annual report and financial statements for the year ended 31 December 2004		
2	To re-elect Mr E Worthington as a Director		
3	To re-elect Mr B Metcalf as a Director		
4	To reappoint Grant Thornton as Auditors and to authorise the directors to fix their remuneration		
5	To empower the Directors to allot shares		
6	To empower the Directors to disapply statutory pre-emption rights with regard to certain allotments of shares		

Please indicate with an "X" in the spaces above how you wish the proxy to vote. Unless otherwise instructed the proxy will at his discretion vote as he thinks fit or abstain from voting in relation to any of the resolutions (including amendments thereto) put to the meeting.

Dated ..... day of ..... 2005

Signed or sealed (see notes 6 & 7).  
.....

**Notes:**

1. This Form of Proxy is for the use of shareholders only and will be used only for the purpose of demanding or voting on a poll.
2. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and on poll, to vote on the member's behalf. If it is wished to appoint as proxy someone other than the chairman of the meeting, delete the words "the Chairman of the Meeting or" and insert in block capitals the full name of the person(s) to be appointed as proxy, initialling the alteration. A proxy need not be a member of the Company.
3. Completion and return of this Form of Proxy will not preclude a member from attending in person and voting at the meeting or at any adjournment thereof if he so chooses.
4. Any alteration of this Form of Proxy must be initialled.
5. To be effective this Form of Proxy must be lodged at the address overleaf 48 hours before the meeting.
6. In case of a corporation, the Form of Proxy must be executed either under its common seal or under the hand of an officer or attorney duly authorised in writing.
7. In case of joint holders, the signature of any one of them will suffice but the names of all joint holders must be shown.



FOLD 3

Affix  
stamp  
here

**African Eagle Resources plc**  
**2nd Floor**  
**6-7 Queen Street**  
**London**  
**EC4N 1SP**  
**UK**

FOLD 2

FOLD 1

## Directors and Advisers



**John Park**  
*Chairman*

John combines a sound knowledge of east Africa with a record of success in the technical, financial and management aspects of the minerals industry. He has worked for a number of well-known minerals companies including Selection Trust, BP Minerals and Cluff, and was previously a founder and executive director of SAMAX and chairman of both Cambridge Minerals and Hereward Ventures.



**Mark Parker**  
*Managing Director*

A mineral exploration specialist with a background in geophysics, Mark has a thorough knowledge of eastern and southern Africa. After 25 years in the exploration industry worldwide, he founded Twigg Resources, which became African Eagle in 2002.



**Christopher Davies**  
*Operations Director*

Chris is an exploration geologist with 25 years' experience in mineral exploration, resource evaluation and business development. He was for seven years SAMAX Gold's manager for East Africa, responsible for the exploration and early development of that company's Geita and Golden Pride projects. He joined African Eagle in 2001.



**Bevan Metcalf**  
*Finance Director*

Bevan is a Chartered Accountant with 25 years experience in the UK, Europe, USA and Australasia, principally in the pharmaceuticals and animal health industries. He became Financial Controller in July 2004 and joined the Board as Finance Director in November 2004.



**Euan Worthington**  
*Non-executive Director*

Euan has 20 years' experience in the City of London as a mining analyst and corporate finance specialist and provides the Company with a strong financial background to complement the technical skills of the other Directors. He joined the Company in early 2001.



**Geoffrey Cooper**  
*Non-executive Director*

Geoffrey is a commercial and contracts lawyer with 36 years experience, mostly in the international mining, oil and gas industries. For 12 years he was in-house Legal Adviser to BP Minerals. He recently retired from his post as a senior lawyer at Vodafone. He joined African Eagle in late 2003.

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### UK Office & Registered Address

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London EC4N 1SP, UK

Tel +44 20 72 48 60 59  
Fax +44 20 76 91 77 45  
[www.africaneagle.co.uk](http://www.africaneagle.co.uk)

### Tanzanian Office

Twigg Gold Ltd  
PO Box 1866, Mwanza, Tanzania

### Zambian Office

Katanga Resources Limited  
PO Box 39233, Lusaka, Zambia

### Nominated Adviser

Nabarro Wells & Co Limited  
Saddlers House, Gutter Lane,  
London EC2V 6HS  
[www.nabarro-wells.co.uk](http://www.nabarro-wells.co.uk)

### Broker

Evolution Securities Ltd  
100 Wood Street, London EC2V 7AN  
[www.evosecurities.com](http://www.evosecurities.com)

### Auditors and Accountants

Grant Thornton UK LLP  
31 Carlton Crescent, Southampton SO15 2EW  
[www.gtuk.com](http://www.gtuk.com)

### Solicitors

Cobbetts  
Ship Canal House, King Street,  
Manchester M2 4WB  
[www.cobbetts.co.uk](http://www.cobbetts.co.uk)

### Registrars

Capita Registrars  
Shareholder Services, 34 Beckenham Road  
Beckenham, Kent BR3 4TU  
[www.capitaregistrars.com](http://www.capitaregistrars.com)



## AFRICAN EAGLE RESOURCES plc

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[info@africaneagle.co.uk](mailto:info@africaneagle.co.uk)